



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2017 Biennium

<b>Bill #</b>	SB0099	<b>Title:</b>	Revise insure Montana small business health insurance laws
<b>Primary Sponsor:</b>	Cohenour, Jill	<b>Status:</b>	As Amended

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts           | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<b>Expenditures:</b>				
General Fund	\$1,761,356	\$2,500,000	\$2,537,000	\$2,575,563
State Special Revenue	\$4,059,000	\$8,478,000	\$8,838,000	\$9,198,000
<b>Revenue:</b>				
General Fund	(\$4,059,000)	(\$8,478,000)	(\$8,838,000)	(\$9,198,000)
State Special Revenue	\$4,059,000	\$8,478,000	\$8,838,000	\$9,198,000
<b>Net Impact-General Fund Balance:</b>	<u>(\$5,820,356)</u>	<u>(\$10,978,000)</u>	<u>(\$11,375,000)</u>	<u>(\$11,773,563)</u>

**Description of fiscal impact:** SB 99 requires the State Auditor's Office (SAO) to administer the Insure Montana program providing tax credits or premium incentive and assistance payments to small businesses that offer a group health insurance plan and pay at least 50% of the premium for their employees. SB 99 also expands the Insure Montana eligible small employer criteria from 2 to 9 employees to 1 to 25. The program will be primarily funded from a percentage of the insurance premium tax redirected from the general fund, and additional general fund expenditures. The total amount of tax credits and premium incentive and assistance payments provided to eligible small employers may not exceed the amount of available funding for the program. Personal services of 5.00 FTE and associated operating costs would be required to run the program.

### FISCAL ANALYSIS

#### Assumptions:

#### **State Auditor's Office (SAO)**

1. The bill establishes the Insure Montana program and phases out the Insure Montana small business health insurance pool.
2. The SAO will oversee the Insure Montana program which begins January 1, 2016.

3. The program will be primarily funded with nine percent of insurance premium tax collections redirected from the general fund.
4. Although eligible to be funded from the Health and Medicaid Initiatives account in the state special revenue fund established by MCA § 17-2-102, structural issues and deficits in the account now and forecast in the future require the portion that could be funded with this account to be funded by the general fund. The amount of funding will be \$1,761,356 in FY 2016 (second half of the fiscal year) and \$2,500,000 for the 12 months of FY 2017. This appropriation will continue for FY 2018 and FY 2019 with a 1.5% inflation factor applied.
5. The total amount of tax credits and premium incentive and assistance payments provided to eligible small employers may not exceed the amount of available funding for the program. That is, should general fund not be appropriated and the deficit in the Health and Medicaid Initiatives account persists, benefits provided by the Insure Montana program will be reduced accordingly.
6. It is expected that all current businesses and their employees will continue to participate in the Insure Montana program. Businesses currently on the waiting list will be added to the program incrementally, subject to appropriation availability, as participating businesses close, discontinue offering group health insurance, or go over the eligible number of employees.
7. The Executive Budget for the 2017 biennium includes funding for 5.00 FTE with salaries and benefits in the first half of FY 2016 (July 1, 2015 through December 31, 2015).
8. Under this program, there would be 5.00 FTE employed by the program with half-year salaries and benefits of \$162,196 for the second half of FY 2016 (January 1, 2016 through June 30, 2016).
9. Under this bill, there would be 5.00 FTE employed by the program with full-year salaries and benefits of \$324,186 in FY 2017, \$329,049 in FY 2018, and \$333,985 in FY 2019.
10. This fiscal note includes operating costs equal to \$159,700 in FY 2016 (second half of the fiscal year) and \$319,400 for the 12 months of FY 2017 for contract services for system maintenance, rent, indirect costs, SABHRS warrant writing, office supplies, training, and travel. These operating costs would continue for FY 2018 and FY 2019 with a 1.5% inflation factor applied.

**Department of Revenue (DOR)**

11. The Insure Montana program is a two-part program that is designed to help small business purchase affordable health insurance for their employees. Under current law, small businesses with 2 to 9 eligible employees may qualify for a refundable state tax credit. Small businesses can also apply for a purchasing pool program, which provides premium assistance and incentive subsidy payments to qualified groups.
12. SB 99 eliminates Insure Montana's small business health insurance purchasing pool. The premium assistance and incentive programs that were tied to the purchasing pool have been changed to allow any small business employer enrolled in the Insure Montana program to use either program on a qualified group or association health insurance plan.
13. SB 99 also expands the number of employees a small business can employ to qualify for the Insure Montana program from 2 to 9 employees to 1 to 25 employees.

	<b><u>FY 2016</u></b> <b><u>Difference</u></b>	<b><u>FY 2017</u></b> <b><u>Difference</u></b>	<b><u>FY 2018</u></b> <b><u>Difference</u></b>	<b><u>FY 2019</u></b> <b><u>Difference</u></b>
<b><u>Fiscal Impact:</u></b>				
FTE	2.50	5.00	5.00	5.00
<b><u>Expenditures:</u></b>				
Personal Services	\$162,196	\$324,186	\$329,049	\$333,985
Operating Expenses	\$159,700	\$319,400	\$324,191	\$329,054
Benefits	\$5,498,460	\$10,334,414	\$10,722,260	\$11,110,524
<b>TOTAL Expenditures</b>	<b><u>\$5,820,356</u></b>	<b><u>\$10,978,000</u></b>	<b><u>\$11,375,500</u></b>	<b><u>\$11,773,563</u></b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$1,761,356	\$2,500,000	\$2,537,500	\$2,575,563
State Special Revenue (02)	\$4,059,000	\$8,478,000	\$8,838,000	\$9,198,000
<b>TOTAL Funding of Exp.</b>	<b><u>\$5,820,356</u></b>	<b><u>\$10,978,000</u></b>	<b><u>\$11,375,500</u></b>	<b><u>\$11,773,563</u></b>
<b><u>Revenues:</u></b>				
General Fund (01)	(\$4,059,000)	(\$8,478,000)	(\$8,838,000)	(\$9,198,000)
State Special Revenue (02)	\$4,059,000	\$8,478,000	\$8,838,000	\$9,198,000
<b>TOTAL Revenues</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$5,820,356)	(\$10,978,000)	(\$11,375,500)	(\$11,773,563)
State Special Revenue (02)	\$0	\$0	\$0	\$0

**Technical Notes:**

1. SB 99 creates 33-2-708(3)(c), MCA, which allows the insurance commissioner to deposit 9% of the revenue generated under 33-2-705, MCA, into a state special revenue fund to help operate the Insure Montana program. However, 33-2-708(3)(a), MCA, in the bill states that all funds, except for those provided in subsection (3)(b), shall be deposited with the state treasurer to the credit of the general fund received under 33-2-705 MCA. 33-2-708(3)(a), MCA will need to be amended to provide an additional exemption for subsection (3)(c).
2. Under SB 99, the insurance premiums tax collections authorized under 33-2-705, MCA, are split between the Healthy Montana Kids (HMK) program at 33%, the Insure Montana (IM) program at 9%, and the remaining (58%) to the general fund. The order of the transfers to the various funds is not clear in SB 99. This analysis assumes that the 33% transfer to the HMK program occurs before the 9% IM transfer. If the IM transfer occurs first, funding for the HMK program will be reduced.

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*Sponsor's Initials*\_\_\_\_\_  
*Date*\_\_\_\_\_  
*Budget Director's Initials*\_\_\_\_\_  
*Date*